

# **Fiscal Year 2006 Amended and Fiscal Year 2007 Governor's Recommended Budget**



GEORGIA DEPARTMENT OF  
COMMUNITY HEALTH

Presentation to  
Senate Appropriations Health Subcommittee  
January 25, 2006



# FY 2006 Amended Budget

## Governor's Recommendation

### OVERVIEW

- Benefit projections used for the department's budget submission: NO need for additional funds for unexpected programmatic growth
  - Although fiscal impact of Hurricane Katrina remains uncertain
- Amended Budget reflects the impact of Medicaid/PCK managed care implementation in the Atlanta and Central regions of the state

BUT....

- Federal policy changes require DCH to forego certain funding sources previously used to support Medicaid Benefit payments
  - Prior year surplus from FY 2005 available to cover loss of these funds



# OVERVIEW: CMO Implementation FY 2006 Budget Impact

Programs:  
Administration  
Low Income Medicaid

Managed Care Budget Item	Program	FY 2006 State Funds
Enrollment Broker Contract (page 1, #1)	Administration	\$7,019,157
CMO Savings (page 7, #4) Assumes savings of 8% over fee-for-service accrual expenditures*	Low Income Medicaid	(\$11,612,095)
CMO Provider Fees (page 7, #5) Assumes collection of 6% of CMO revenue deposited to the Indigent Care Trust Fund (#5)	Low Income Medicaid	(\$21,534,195)
Cash to Accrual Basis (page 7, #6)	Low Income Medicaid	\$18,869,655
<b>TOTAL COST/(SAVINGS)</b>		<b>(\$7,257,478)</b>
* Including net pharmacy expenditures (i.e., After drug rebates applied to reduce pharmacy expenses)		

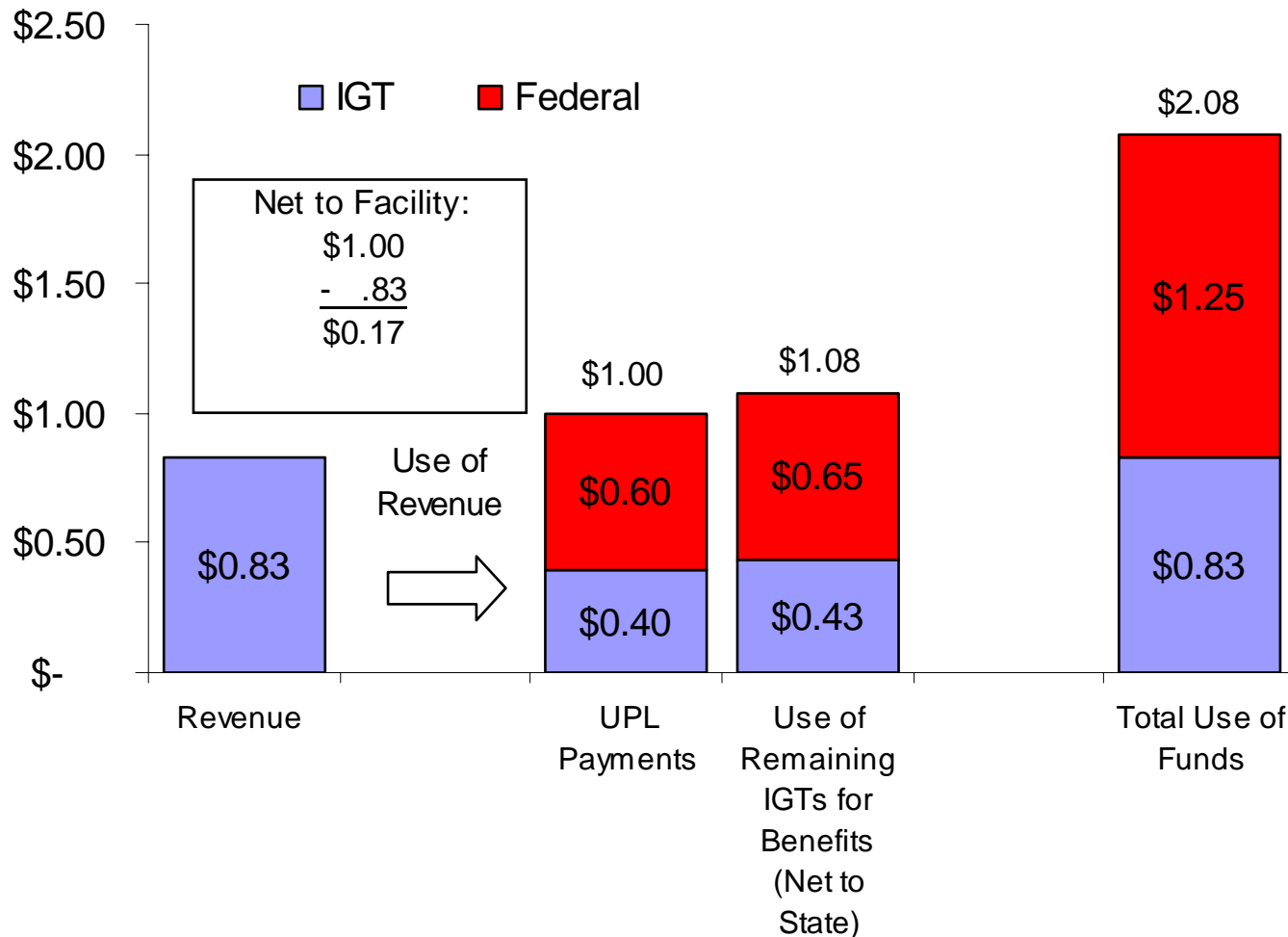


# OVERVIEW: Federal Policy Change Use of InterGovernmental Transfer's (IGTs) Upper Payment Limit Program – Prior to FY 2006

## Programs:

Aged, Blind, and  
Disabled

Low Income Medicaid



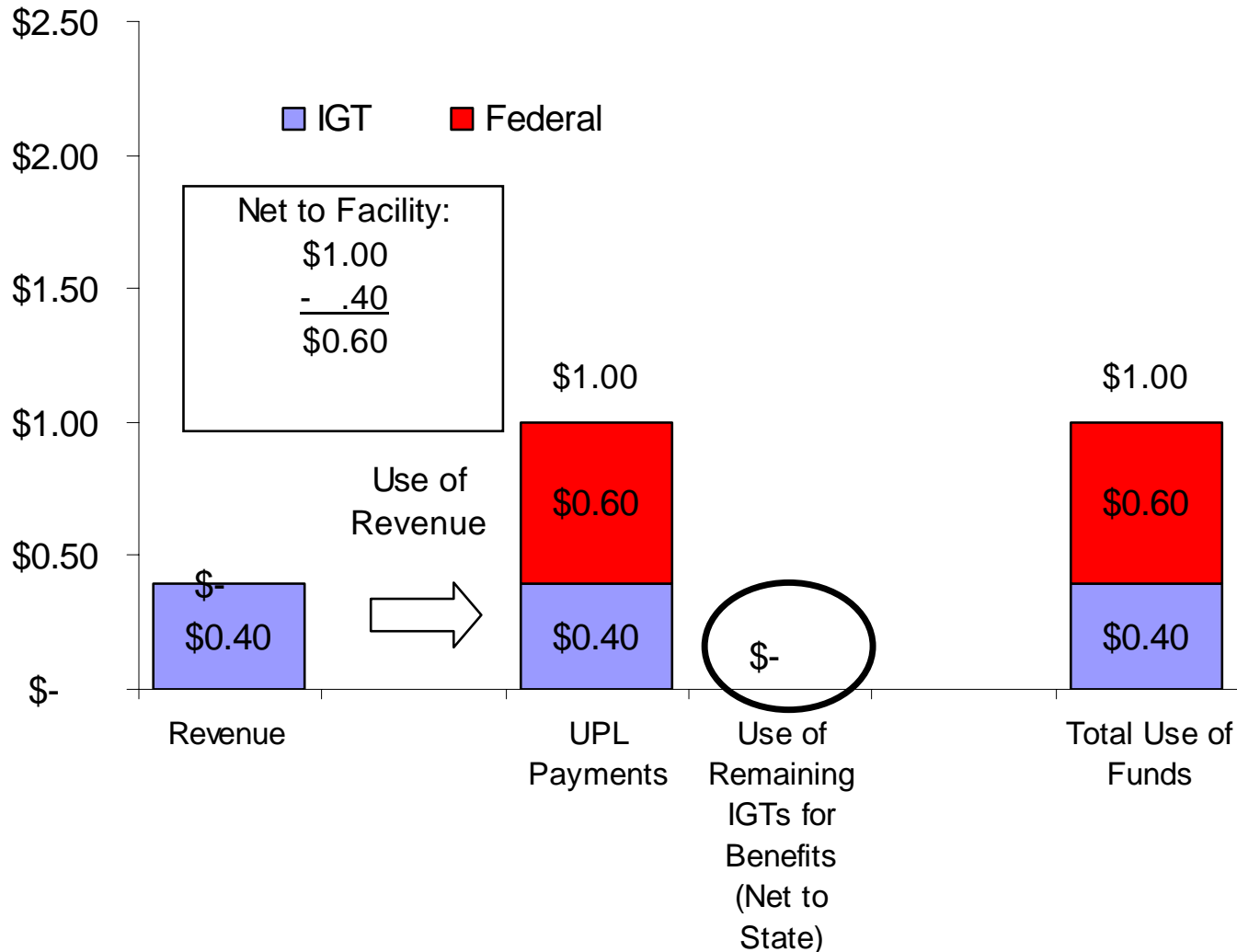


# OVERVIEW: Federal Policy Change Use of InterGovernmental Transfer's (IGTs) Upper Payment Limit Program – FY 2006 and After

## Programs:

Aged, Blind, and  
Disabled

Low Income Medicaid





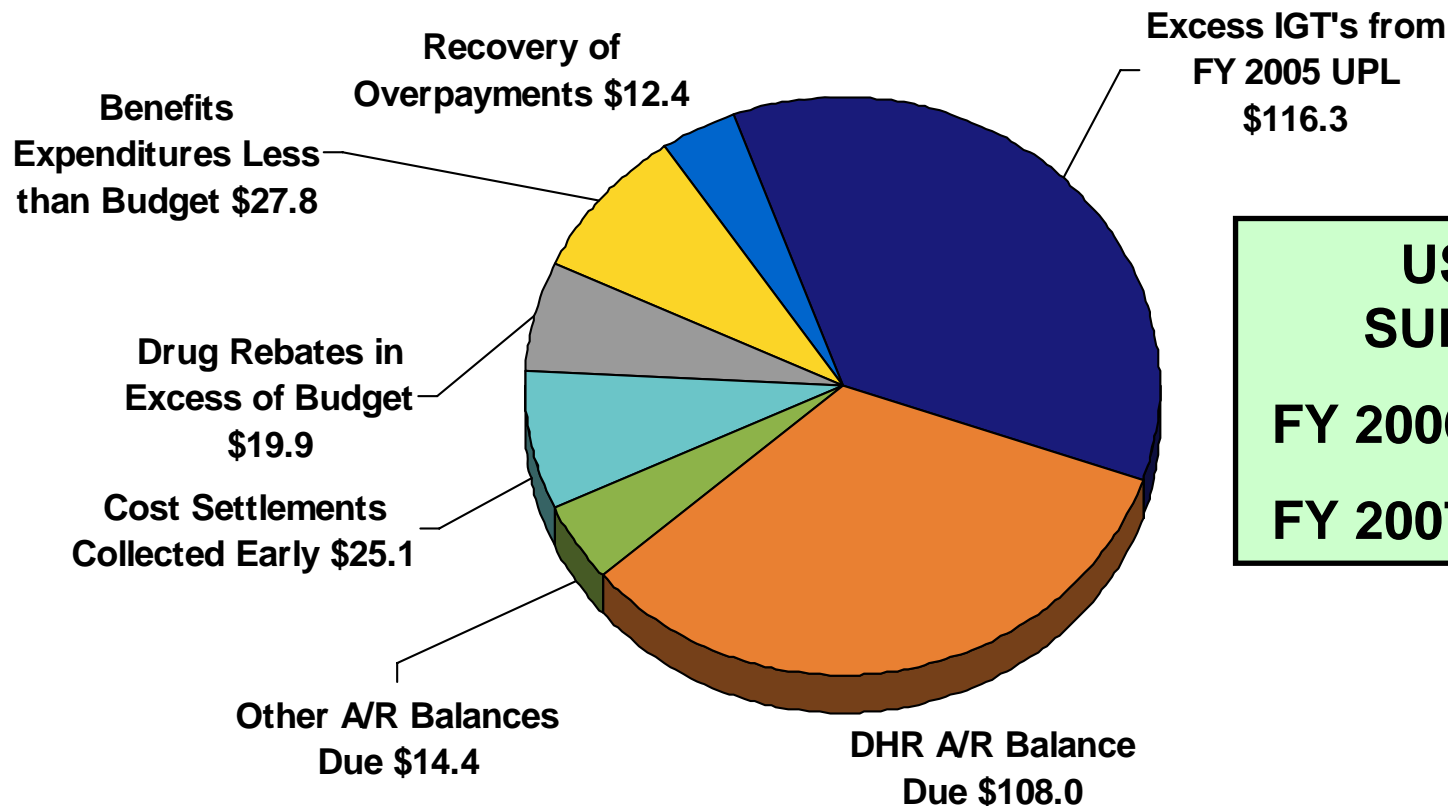
# OVERVIEW: Medicaid Prior Year Surplus

## Programs:

Aged, Blind, and  
Disabled

Low Income Medicaid

## FY 2005 Benefits Surplus \$324.1 million (state funds)



### USE OF SURPLUS:

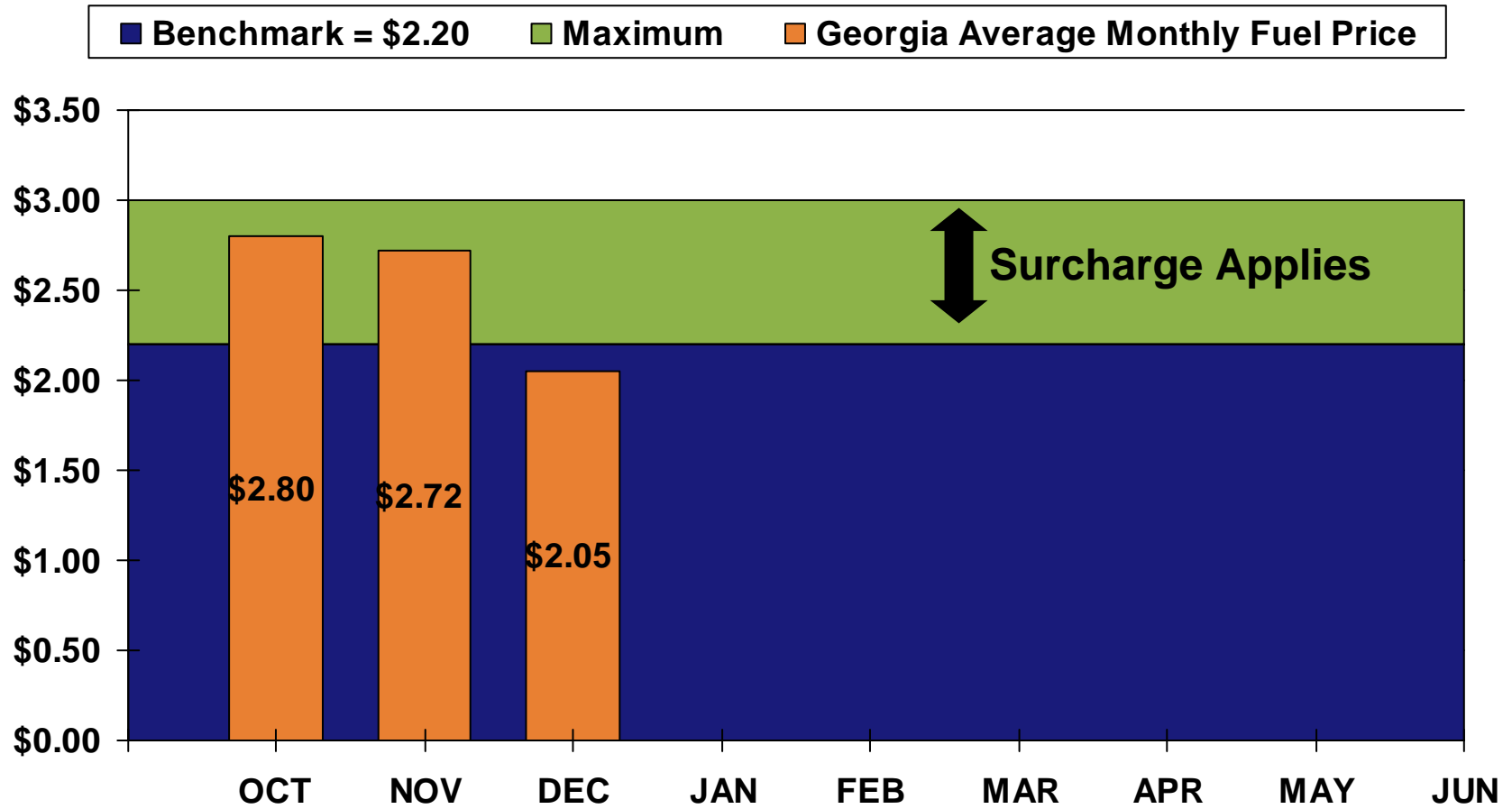
FY 2006 - \$157.2M

FY 2007 - \$166.9M



# Net Fuel Surcharge Payments (page 1, #6)

Programs:  
Administration





# Hughes Spalding Management by Children's Healthcare of Atlanta (FY 2006 page 3, #1; FY 2007 page 4, #1)

Programs:  
**Indigent Care Trust Fund**

Contributor	Annual	One-Time
State of Georgia	FY06 - \$2,000,000 FY07 - \$3,750,000	-0-
Grady	\$2,000,000	-0-
Children's Healthcare of Atlanta	\$2,000,000	-0-
DeKalb County	\$125,000	\$250,000
Fulton County	\$375,000	\$750,000
City of Atlanta	-0-	\$50,000 -150,000*
TOTAL	FY06 - \$6,500,000 FY07 - \$8,250,000	\$1,050,000 to \$1,150,000
* Not definitive		





# Private Hospital Disproportionate Share Hospital (DSH) FY 2005 Payments (page 3, #4)

**Programs:**  
**Indigent Care Trust Fund**

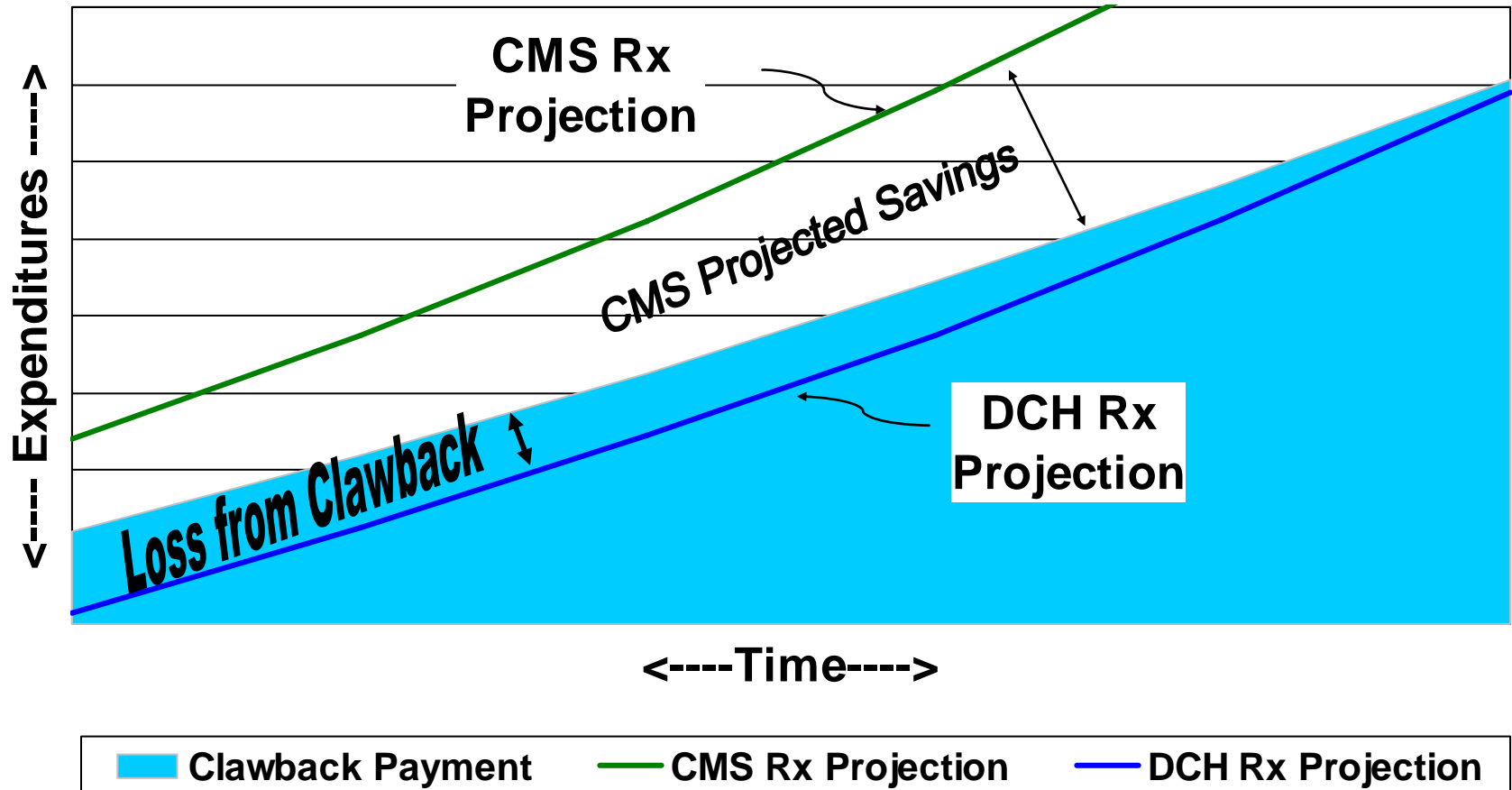
	Private Facility	Total Funds		Private Facility	Total Funds
1	Atlanta Medical Center	\$ 4,341,284	14	Flint River Community Hospital	\$ 622,154
2	Barrow Community Hospital	\$ 462,964	15	Hamilton Medical Center	\$ 1,702,407
3	Berrien County Hospital	\$ 449,097	16	Louis Smith Memorial Hospital	\$ 737,976
4	Chestatee Regional Hospital	\$ 1,313,920	17	Memorial Hospital of Adel	\$ 553,765
5	Children's Healthcare of Atlanta (Egleston)	\$ 5,477,238	18	Phoebe Worth Medical Center	\$ 1,367,361
6	Children's Healthcare of Atlanta (Scottish Rite)	\$ 2,540,408	19	Smith Northview Hospital	\$ 284,971
7	Cobb Memorial Hospital	\$ 1,863,633	20	South Fulton Medical Center	\$ 2,937,484
8	Crawford Long Hospital of Emory University	\$ 3,106,779	21	Southwest Hospital and Medical Center	\$ 1,173,922
9	Donalsonville Hospital, Inc.	\$ 979,408	22	Stewart Webster Hospital	\$ 424,499
10	East Georgia Regional Medical Center	\$ 976,861	23	Tattnall Community Hospital	\$ 915,603
11	Emory Dunwoody Medical Center	\$ 546,649	24	Taylor Regional Hospital	\$ 460,403
12	Emory Peachtree Regional Hospital	\$ 660,039	25	Walton Medical Center	\$ 688,629
13	Fairview Park Hospital	\$ 394,181	26	Wheeler County Hospital	\$ 720,945
Total FY 2005 DSH Payments					\$35,702,580
Total FY 2005 DSH Payments (State)					\$14,123,941



# Demonstration of Part D Clawback Calculation (FY 2006 page 6, #9)

Programs:

Aged, Blind, and  
Disabled





# Nursing Home Provider Revenue

(FY 2006 page 9, #1; FY 2007 page 10, #1)

## Programs:

**Nursing Home Provider  
Fee**

Base Period	Bed Days Subject to Provider Fee	Revenue @ \$9.15 per Day
Used for FY 2006 Appropriations	10,954,020	\$100,229,284
Bed Days per Most Recent Nursing Home Report	10,851,057	\$99,287,176
Difference	102,963	(\$942,108)



# Program Budget Summary

## FY 2006 – 4.4% Increase in Total Funds

Program	FY06 Current Budget	Total Fund Changes	FY06 Governor's Recommendation
Aged, Blind, and Disabled Medicaid	\$3,586,371,934	(\$9,899,311)	\$3,576,472,623
Low Income Medicaid	2,631,014,671	179,375	2,631,194,046
PeachCare for Kids	241,496,714	0	241,496,714
Indigent Care Trust Fund	368,267,504	125,910,819	494,178,323
Nursing Home Provider Fee	248,196,640	(2,388,712)	245,807,928
Health Care Access	6,436,389	1,075	6,437,464
Administration and Program Support	308,047,110	27,319,008	335,366,118
State Health Benefit Plan	1,959,882,468	232,118,461	2,192,000,929
Attached Agencies	42,054,895	1,515	42,056,410
<b>TOTAL</b>	<b>\$9,391,768,325</b>	<b>\$373,242,230</b>	<b>\$9,765,010,555</b>



# Program Budget Summary

## FY 2006 – 1.7% Increase in State Funds

Program	FY06 Current Budget	State Fund Changes	FY06 Governor's Recommendation
Aged, Blind, and Disabled Medicaid	\$897,259,297	(\$446,050)	\$896,813,247
Low Income Medicaid	1,085,234,722	1,096,091	1,086,330,813
PeachCare for Kids	67,159,673	0	67,159,673
Indigent Care Trust Fund	0	37,534,195	37,534,195
Nursing Home Provider Fee	100,229,284	(942,108)	99,287,176
Health Care Access	5,786,551	1,075	5,787,626
Administration and Program Support	62,221,212	1,382,283	63,603,495
State Health Benefit Plan	0	0	0
Attached Agencies	42,054,896	1,515	42,056,410
<b>STATE/TOBACCO</b>	<b>\$2,259,945,634</b>	<b>\$38,627,001</b>	<b>\$2,298,572,635</b>



# FY 2007 Budget

## Governor's Recommendation

### OVERVIEW

- Medicaid Benefit expenditures expected to grow by 9.1% over FY 2006
  - Based on enrollment growth of 5.7%
- Budget reflects the impact of *statewide* Medicaid/PCK managed care implementation
- Cost of federal policy changes annualized
  - Continue to use prior year surplus from FY 2005 available to cover loss of these funds
- Begin new initiatives:
  - To control growth in the Aged, Blind, and Disabled programs and
  - To ensure Medicaid eligibility criteria applied appropriately
- Continue collection of outstanding hospital cost settlements
- Nursing Home rate increase
- No increase in employee premiums for State Health Benefit Plan



# OVERVIEW: Medicaid

Continuation Growth (page 6, #2; page 8, #3)

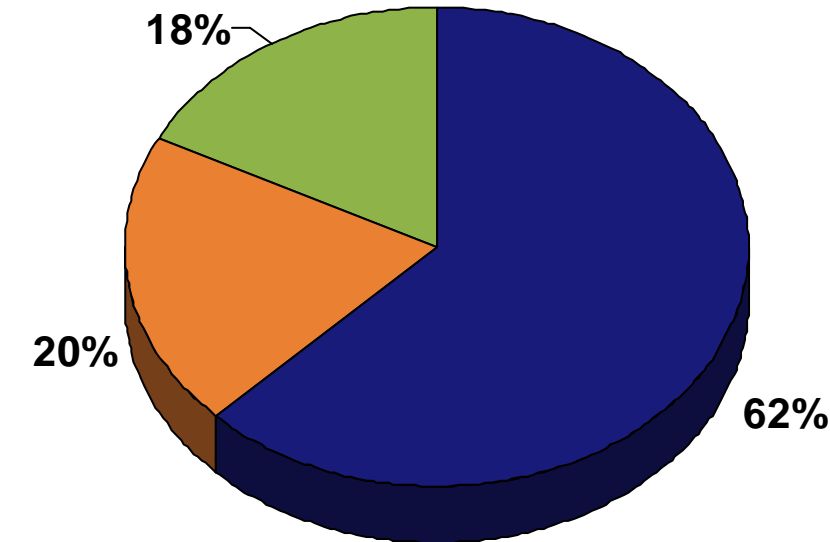
## Programs:

Low Income Medicaid

Aged, Blind, and Disabled

- Expect Accrual Expense to be 9.1% higher in FY 2007 than in FY 2006
- **DCH Cash Expense = \$221 million**  
(ABD - \$141.5M, LIM - \$79.6M)
- 62% of increase driven by enrollment
  - LIM and RSM biggest increase
  - Expect enrollment to continue growing by 5.7% in FY 2007
  - Does not consider long term impact of Hurricane Katrina
- Utilization and Price growth smaller components
  - Acuity Levels driving some utilization

Cost Drivers - FY 2007 Medicaid Benefits  
(Growth = \$221M\*)



\* STATE FUNDS

■ Enrollment ■ Utilization ■ Price



# OVERVIEW: CMO Implementation FY 2007 Budget Impact

Programs:  
Administration  
Low Income Medicaid

Managed Care Budget Item	Program	FY 20076 State Funds
Enrollment Broker Contract (page 1, #6)	Administration	\$8,711,128
Cash to Accrual Basis (page 8, #5)	Low Income Medicaid	\$102,514,604
CMO Savings (page 9, #7) Assumes savings of 8% over fee-for-service accrual expenditures*	Low Income Medicaid	(\$78,459,736)
CMO Provider Fees (page 9, #12) Assumes collection of 6% of CMO revenue deposited to the Indigent Care Trust Fund (page 4, #5)	Low Income Medicaid	(\$145,500,635)
<b>TOTAL COST/(SAVINGS)</b>		<b>(\$112,734,639)</b>
* Including net pharmacy expenditures (i.e., After drug rebates applied to reduce pharmacy expenses)		





## Eligibility

(page 2, #8, page 6, #1 and page 8, #1)

### Programs:

Aged, Blind, and  
Disabled

Low Income Medicaid  
Administration

**PROPOSAL:** Reduce Medicaid costs by eliminating self-declaration of income and implementing a centralized third-party verification of income and assets for both enrollment and re-enrollment.

- ✓ Proof of Income
- ✓ Proof of Citizenship
- ✓ Fraud & Abuse Control
- ✓ Use of external databases to validate eligibility
- ✓ Complements existing SUCCESS eligibility determination system

**Projected State Fund Savings = \$25 million**  
**(ABD - \$6.25M, LIM - \$18.75M)**

**Requested Administrative Costs = \$1.6 million (state funds)**



# Aged, Blind and Disabled (ABD) Management (page 6, #4)

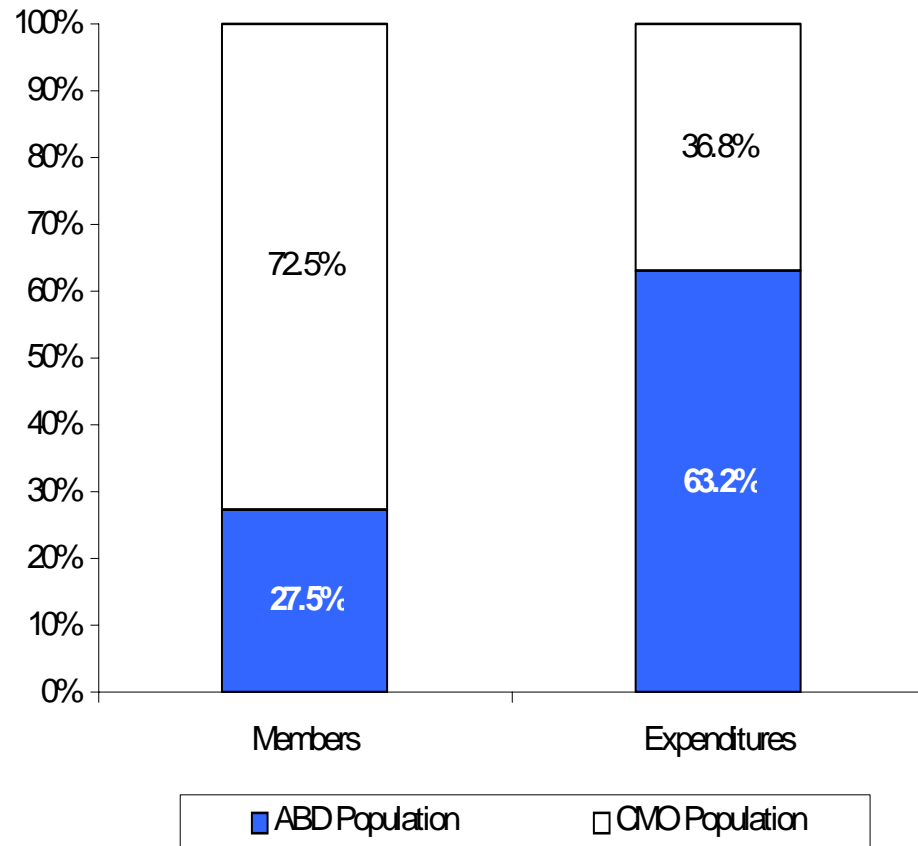
## Programs:

Aged, Blind, and  
Disabled

### PROPOSAL:

- ✓ Procure Statewide vendors able to provide Clinical Management and Enhanced Fraud & Abuse Detection
- ✓ Focus on all members not in a CMO, including ABD members as well as medically fragile children and children in foster care.
- ✓ Proposal seeks to complement existing medical and social supports.

**27% of the Medicaid Population = 63% of the Expenditures**



*Data is based on FY 2005*



# Aged, Blind and Disabled (ABD) Management Clinical and Member Services (page 6, #4)

## Programs:

Aged, Blind, and  
Disabled

<b>PROPOSED: Clinical and Member Services</b>	<b>All Non-CMO Members</b>	<b>Select Non-CMO Members</b>
<b>Level of Care Determination</b>		<b>X</b>
<b>Utilization Review</b> (Prospective (i.e. Gatekeeping), Concurrent and Retrospective)		<b>X</b>
<b>Care Management</b> (Case Management and Disease Management)		<b>X</b>
<b>Nurse Call Line</b>	<b>X</b>	

## **Timeline:**

**February 2006 – RFP Release**

**October 2006 – Begin Clinical and Member Services**



# Aged, Blind and Disabled (ABD) Management Fraud & Abuse (page 6, #4)

## Programs:

Aged, Blind, and  
Disabled

### Fraud & Abuse Surveillance and Prevention

- **Targeted reviews**
  - By procedure
  - By category of service
  - By provider type
  
- **Clinical reviews**
  
- **Timeline:**
  - February 2006 – RFP Release
  - July 2006 – Begin Initiatives



# SHBP FY 2007 Projections

## BEFORE Governor's Recommendation (page 11, #2)

### Programs:

### State Health Benefit Plan

#### REVENUE:

**Growth Projected at 1.8% with \$2.2 billion in collections**

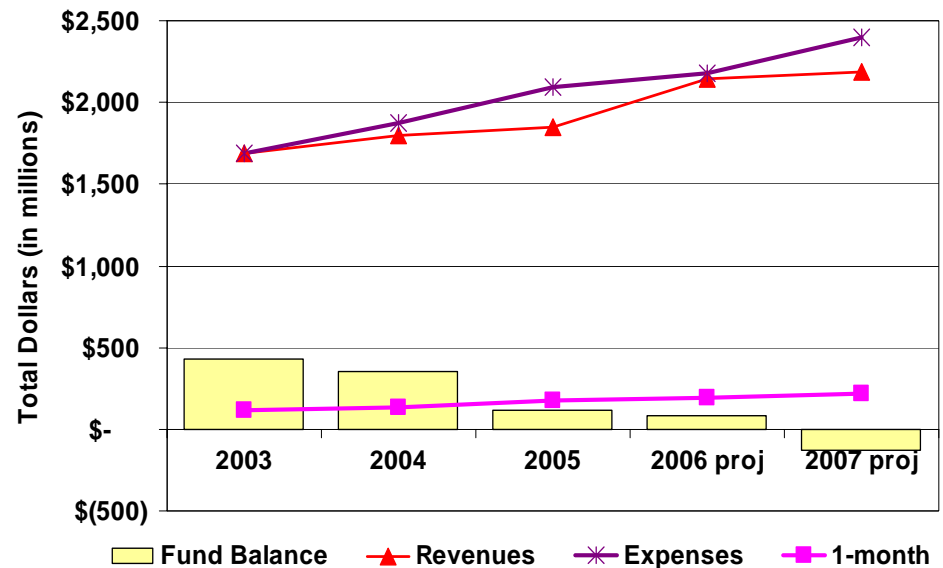
- Employer Share of revenue not premium based, but tied to Payroll

#### EXPENDITURES:

**Growth Projected at 9.8% with \$2.4 billion in expenditures**

- Savings initiatives beginning in January 2006 are annualized for FY 2007, reducing typical, status quo growth of 12 – 15%

**Annual Deficit - \$211 million**



*In FY 2006, Employees pay 27.4% of Premiums*



# SHBP FY 2007 Projections

## AFTER Governor's Recommendation (page 11, #2)

### Programs:

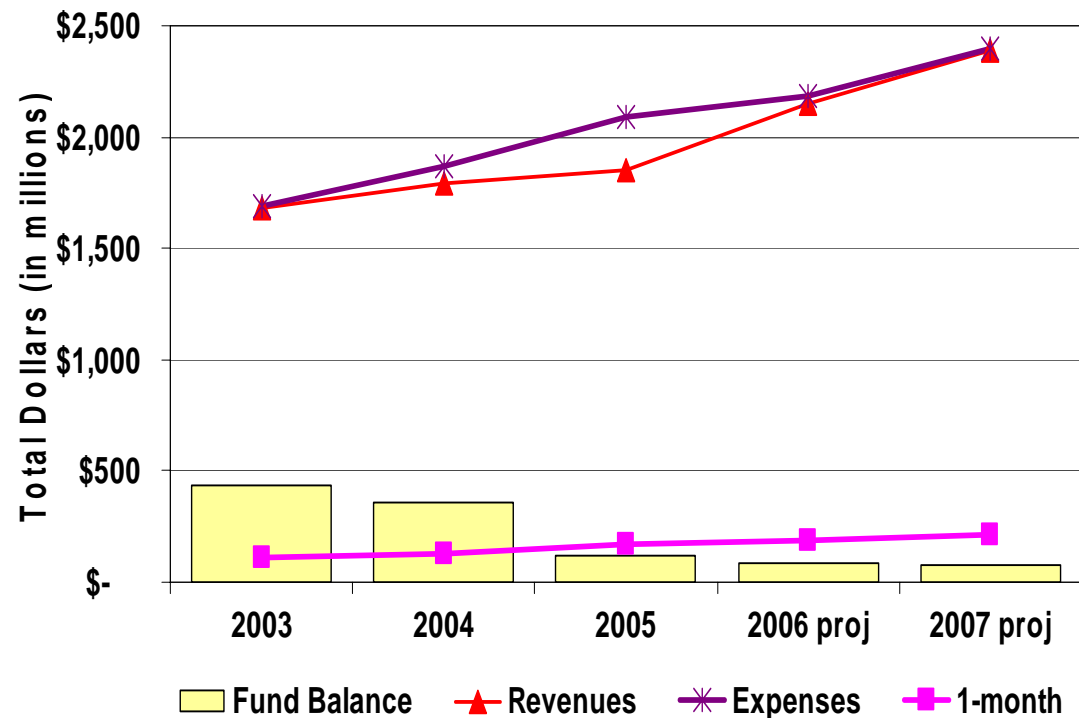
### State Health Benefit Plan

#### REVENUE:

Growth at **11.4%** with \$2.4 billion in collections

Governor's Recommended budget for FY 2007 provides \$207 million in funds toward the premium

This covers the annual deficit (assuming the Legislative and Judicial branches provide the additional \$4M)



*In FY 2007, Employees would pay 25.1% of Premiums*



# Program Budget Summary

## FY 2007 – 11.3% Increase in Total Funds

Program	FY06 Current Budget	Total Fund Changes	FY06 Governor's Recommendation
Aged, Blind, and Disabled Medicaid	\$3,586,371,934	\$358,596,151	\$3,944,968,085
Low Income Medicaid	2,631,014,671	(212,781,794)	2,418,232,877
PeachCare for Kids	241,496,714	8,167,498	249,664,212
Indigent Care Trust Fund	368,267,504	430,699,211	798,966,715
Nursing Home Provider Fee	248,196,640	(2,388,712)	245,807,928
Health Care Access	6,436,389	63,066	6,499,455
Administration and Program Support	308,047,110	29,427,832	337,474,942
State Health Benefit Plan	1,959,882,468	451,551,594	2,411,434,062
Attached Agencies	42,054,895	189,571	42,244,466
<b>TOTAL</b>	<b>\$9,391,768,325</b>	<b>\$1,063,524,417</b>	<b>\$10,455,292,742</b>



# Program Budget Summary

## FY 2007 – 5.7% Increase in State Funds

Program	FY06 Current Budget	State Fund Changes	FY06 Governor's Recommendation
Aged, Blind, and Disabled Medicaid	\$897,259,297	\$91,675,793	\$988,935,090
Low Income Medicaid	1,085,234,722	(111,898,686)	973,336,036
PeachCare for Kids	67,159,673	0	67,159,673
Indigent Care Trust Fund	0	149,250,635	149,250,635
Nursing Home Provider Fee	100,229,284	(942,108)	99,287,176
Health Care Access	5,786,551	63,066	5,849,617
Administration and Program Support	62,221,212	580,987	62,802,199
State Health Benefit Plan	0	0	0
Attached Agencies	42,054,895	189,571	42,244,466
<b>STATE/TOBACCO</b>	<b>\$2,259,945,634</b>	<b>\$128,919,258</b>	<b>\$2,388,864,892</b>